

Burnet R. Maybank, III
Member
Admitted in SC

November 13, 2009

VIA ELECTRONIC FILING

Public Service Commission of South Carolina
Docketing Department
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

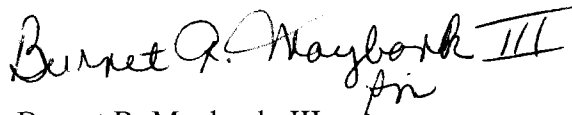
**Re: Docket Number 2009-326-C – State Universal Service Support of Basic
Local Service Included in a Bundled Service Offering or Contract
Offering**

Dear Ladies and Gentlemen:

Enclosed for filing please find a copy of Surreply Testimony of William F. Kreutz on behalf of Windstream South Carolina, LLC in connection with the above-referenced matter.

By copy of this letter, I am serving all parties of record with a copy of this Testimony as indicated on the attached Certificate of Service.

Very truly yours,



Burnet R. Maybank, III

BRM/sjn

Enclosures

cc: Nanette S. Edwards, Esq. (Letter only Via E-Mail)
All Parties of Record

STATE OF SOUTH CAROLINA

(Caption of Case)

State Universal Service Support of Basic Local
Service Included In a Bundled Service Offering or
Contract Offering

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2009 - 326 - C

(Please type or print)

Submitted by: Burnet R. Maybank III

Address: Nexsen Pruet, LLC

1230 Main Street, Suite 700

Columbia, SC 29201

SC Bar Number: 3699

Telephone: 803-771-8900

Fax: 803-253-8277

Other:

Email: bmaybank@nexsenpruet.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☒ Request for item to be placed on Commission's Agenda expeditiously

☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input checked="" type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input checked="" type="checkbox"/> Other: Surreply Testimony
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	Cover Sheet
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

Print Form

Reset Form

Docket No. 2009-326-C

State Universal Service Support of Basic Local Service Included In a Bundled Service Offering or Contract Offering

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1

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is William F. Kreutz. I am the Director Regulatory Strategy for
3 Windstream Communications, Inc. My business address is 4001 Rodney
4 Parham Road Little Rock, Arkansas 72212.

5
6 **Q. ARE YOU THE SAME WILLIAM. F. KREUTZ THAT FILED DIRECT**
7 **TESTIMONY IN THIS PROCEEDING.**

8 A. Yes, I am. To clarify the record, I did not file rebuttal testimony.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR SURREPLY TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my testimony is to respond to some of the positions taken by Mr.
13 Joseph Gillan in his rebuttal testimony on behalf of the CLECs. First, I will
14 respond to Mr. Gillan's assertion that the USF contributions are a "tax" extracted
15 from customers and that a continuation of the current process of distributing
16 universal service payments would be an expansion of the fund. I will also
17 address his allegations that the current policy is not consistent with FCC policy.

18
19 **Q. MR. GILLAN USES THE TERM "TAX" THROUGHOUT HIS TESTIMONY TO**
20 **DESCRIBE THE UNIVERSAL SERVICE FUND. PLEASE RESPOND TO THIS**
21 **CHARACTERIZATION?**

22 A. Beginning on page 1 and repeated on pages 2, 13, 15, 16 and 17 Mr. Gillan
23 refers to the universal service fund as a "tax". First, whether the fund is a tax is a

1 matter for the General Assembly to decide, not this Commission. And whether
2 the fund is referred to as a tax, a surcharge or an assessment does not dismiss
3 the Commission's mandate to fulfill its legislative directive to establish a state
4 universal service fund for distribution to carriers of last resort. If the CLECs have
5 an issue as to whether universal service is supported by a "tax", and whether it
6 should be eliminated, then they should take this issue up with the General
7 Assembly.

8 Furthermore, the CLECs do not limit their use of the term "tax" to only the funding
9 of lines that are part of a bundle or contract offering, but they consistently refer to
10 the entire universal service fund mechanism as a "tax". Even though the sole
11 issue being addressed in this proceeding is support for bundled lines, the gist of
12 the CLEC testimony is that the entire universal service fund is an unnecessary
13 tax that should be eliminated. Therefore, even if the Commission were to
14 eliminate support for bundled lines, the CLECs would still consider support for all
15 the remaining lines as an unnecessary tax. That is far beyond the scope of this
16 proceeding, and this broad attack on the USF should not be considered by this
17 Commission.

18 Since the CLECs choose not to serve the high cost areas of the state that the
19 universal service funding is designed to support it is not surprising that they do
20 not want to contribute to the fund to support those areas. But the CLEC position
21 does not mean that universal service funding is poor public policy.
22

1 **Q. ON PAGE 2 OF MR. GILLAN’S TESTIMONY HE REFERS TO “EXPANSION**
2 **OF SUBSIDY TO BUNDLES”. IS THIS A CORRECT CHARACTERIZATION**
3 **OF THE ISSUE BEING ADDRESSED IN THIS PROCEEDING?**

4 The CLECs also infer that the outcome of this proceeding may result in an
5 “expansion” of the fund, which is simply not accurate. The issue being
6 addressed in this proceeding is not whether the universal service fund
7 procedures should be changed to “expand” to include bundled lines. The issue is
8 whether the universal service funding procedures should continue to support all
9 customer lines that subscribe to basic local services whether the line is part of a
10 stand-alone service or in combination with other services that the customer
11 desires. The CLECs characterization is that the size of the universal service fund
12 will grow if the Commission does not rule in their favor. That is simply not the
13 case. What the CLECs desire is a reduction or elimination of the current fund. A
14 Commission decision in this proceeding that denies the CLECs request will not
15 result in an increase in the size of the fund and the CLECs characterization that
16 the fund will increase is simply wrong.

17
18 **Q. MR. GILLAN ON PAGE 10 OF HIS REPLY TESTIMONY CLAIMS THAT THE**
19 **FCC HAS NEVER ADDRESSED THE QUESTION AS TO WHETHER**
20 **DEREGULATED BUNDLES SHOULD RECEIVE SUPPORT. PLEASE**
21 **RESPOND?**

22 **A.** The CLECs position misrepresents what the direct testimony of the parties in this
23 proceeding stated. Mr. Gillan cites the FCC decisions as to whether the federal

1 universal service support should be expanded to include broadband and its
2 related cost as a supported service. The issue in this proceeding is not whether
3 to include broadband and its related cost as a supported service. The issue in
4 this proceeding is limited to whether the cost of basic local service in high cost
5 areas should continue to be supported even if provided as a bundle. No party in
6 this proceeding is advocating that the current support be changed to include
7 broadband and its related cost.

8
9 **Q. IS INCLUDING THE COST OF BASIC LOCAL SERVICE AND ALL LINES**
10 **THAT HAVE A BASIC LOCAL SERVICE COMPONENT CONSISTENT WITH**
11 **THE FEDERAL UNIVERSAL SERVICE SUPPORT FUNDING?**

12 A. Yes. The federal universal service fund program provides support for all basic
13 local service lines in high cost areas regardless of whether the line is associated
14 with a bundled offering or not. The FCC does not make a distinction for bundled
15 lines for purposes of Universal Service funding and bundled lines are eligible for
16 support.

17
18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.

**BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

Docket Number 2009-326-C

**State Universal Service Support of Basic Local Service Included In a Bundled
Service Offering or Contract Offering**

CERTIFICATE OF SERVICE

The undersigned, Shirley J. Neal, hereby certifies that she is employed by the law firm of Nexsen Pruet, LLC and that she caused a copy of Surreply Testimony of William F. Kreutz on behalf of Windstream South Carolina, LLC to be served by regular mail and/or email as shown below on the 13th day of November, 2009:

J. Phillip Carver, Counsel
AT&T
675 West Peachtree St., NE
Atlanta, GA, 30375

Patrick W. Turner, Counsel
BellSouth Telecommunications, Incorporated d/b/a AT&T South Carolina
1600 Williams Street, Suite 5200
PO Box 752
Columbia, SC, 29202
pt1285@att.com

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC, 29205
selliott@elliottlaw.us

John. J. Pringle, Jr., Counsel
Ellis, Lawhorne & Sims, P.A.
Post Office Box 2285
Columbia, SC, 29202
jpringle@ellislawhorne.com

M. John Bowen, Jr., Counsel
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC, 29211
jbowen@mcnair.net

Margaret M. Fox, Counsel
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC, 29211
pfox@mcnair.net

Nanette S. Edwards, Counsel
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC, 29201
nsedwar@regstaff.sc.gov

Steven W. Hamm, Esquire
Richardson Plowden and Robinson, P.A.
Post Office Drawer 7788
Columbia, SC, 29202
shamm@richardsonplowden.com

Bonnie D. Shealy, Counsel
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202
bshealy@robinsonlaw.com

Frank R. Ellerbe, III, Counsel
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202
fellerbe@robinsonlaw.com

William R Atkinson
Sprint Communications Company L. P.
233 Peachtree Street
Suite 2200
Atlanta, GA, 30303
Bill.Atkinson@sprint.com

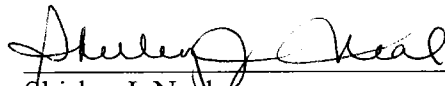
Susan S. Masterton, Counsel
United Telephone Company of the Carolinas d/b/a Embarq
1313 Blair Stone Road
Tallahassee, FL, 32301
susan.masterton@embarq.com

Zel Gilbert, Director External Affairs
United Telephone Company of the Carolinas d/b/a Embarq
Embarq Corporation
1122 Lady Street, Suite 1050
Columbia, SC, 29201
zel.gilbert@embarq.com

Stan Bugner, State Director
Verizon South, Incorporated
1301 Gervais Street, Suite 825
Columbia, SC, 29201
stan.bugner@verizon.com

Benjamin P. Mustian, Counsel
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC, 29202
bmustian@willoughbyhoefer.com

John M.S. Hoefer, Counsel
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC, 29202-8416
jhoefer@willoughbyhoefer.com


Shirley J. Neal